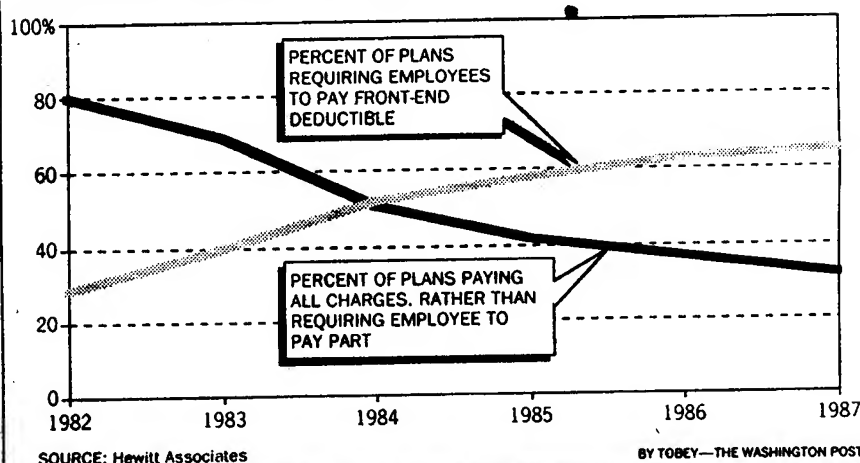




HEALTH BENEFITS CHANGING

Fewer companies are paying 100 percent of covered medical charges; more are offering plans that require employees to pay deductibles, according to a survey of 240 large firms.



Medical Costs Become Thorny Issue In Labor-Management Negotiations

By Albert B. Crenshaw
Washington Post Staff Writer

The issue that brought Potomac Electric Power Co. workers to the brink of a strike last week is one that is raising labor-management tensions throughout corporate America.

The question is health care—specifically, who will pay what share of the cost?

Medical costs, fueled by new technology, new diseases and other factors, are rising so rapidly that the average company's medical insurance premium has almost doubled in the

past five years, according to a study by Hay/Huggins, a Philadelphia-based benefits consulting firm.

"And that's just a continuation of a trend that's been going on since the mid-1970s," said Michael Carter, senior vice president of Hay/Huggins. "Companies have been doing all sorts of things to try to control costs and are still finding that they are not successful."

As a result, companies, including Pepco, are seeking to shift some of the burden to their employees.

Neither Pepco nor Local 1900 of the In-

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ternational Brotherhood of Electrical Workers would comment on the tentative three-year contract reached last Friday, but a source familiar with the negotiations called medical costs a "predominant issue" in the bargaining.

Pepco had sought to have union workers begin to pick up a share of the company's medical insurance premium, which heretofore has been paid entirely by the company.

The question was resolved in last-minute bargaining, though neither side would disclose the terms before today's ratification vote by the union members.

But by making the demand, Pepco placed itself among a growing majority of companies that believe employees should share more of the costs of their health care.

Mark Murray, a partner with the consulting firm of Hewitt Associates, said that he sees two forces at work as far as employers are concerned. The first is "pure cost containment, the issue being, 'If medical costs are growing at 15 to 20 percent a year, can we afford to pay that full increase, or is it appropriate to ask our employees to pay some?'"

The second is psychological, Murray said. If the employee pays nothing, he has no incentive to hold down costs, and if he does pay something, it appears from Hewitt's surveys to give a greater sense of appreciation for the benefit, he said.

And the pressure is being felt by white collar and blue collar workers alike. A Hay/Huggins survey of hourly compensation showed that 43

percent of companies have increased the deductible that employees must pay before getting full coverage, 19 percent have made hospital costs subject to a deductible, and 15 percent have increased the coinsurance amount.

According to Hay/Huggins, the average worker, who had \$8 a month deducted from his paycheck for health insurance in 1980, will see \$40 a month taken out this year—a 400 percent increase. And these numbers do not include higher deductibles and coinsurance payments.

A Hewitt survey of salaried employees found that in 1982, 43 percent of companies required no employee contribution for medical coverage, while last year only 29 percent did so.

And it found the employee share of costs rising. In 1982, for example, 80 percent of hospitalization plans paid 100 percent of room and board coverage, but last year only a third paid 100 percent. Plans paying 80 percent jumped from 9 percent in 1982 to 37 percent last year.

Hewitt's Murray foresees continuing pressure along these lines, but with added emphasis on other cost-control items such as second opinions and precertification for hospital admissions.

"It's a question of where the company wants to spend benefit dollars," he said. Hewitt's surveys show that employees regard medical coverage as the most important of their benefits, but he said "most employees recognize the squeeze when the company goes at it in a straightforward manner" and are willing to bear some of the costs so that other benefits can be maintained.

Footnote 4

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